

TAYLOR HOUSING COMMISSION  
TAYLOR, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Taylor Housing Commission	County
Fiscal Year End March 31, 2006	Opinion Date September 27, 2006	Date Audit Report Submitted to State October 27, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	Reports on Internal Control and Compliance		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930		
Street Address 1107 E. Eighth Street		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

TAYLOR HOUSING COMMISSION  
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## INTRODUCTION

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

***Independent Auditor's Report***

Board of Commissioners  
Taylor Housing Commission  
Taylor, Michigan

I have audited the accompanying financial statements of the business-type activities of the Taylor Housing Commission, Michigan, a component unit of the City of Taylor, as of and for the year ended March 31, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The basic financial statements referred to above do not include financial data of the component unit, Taylor Community Development Corporation (a not-for-profit Michigan Corporation), which should be included in order to conform with generally accepted accounting principles.

In my opinion, except for the omission of the information mentioned in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Taylor Housing Commission, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Taylor Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated September 27, 2006, on my consideration of Taylor Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Taylor Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Taylor Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Barry E. Taudels, CPA*

September 27, 2006

TAYLOR HOUSING COMMISSION  
TAYLOR, MICHIGAN  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)**  
March 31, 2006  
=====

The Taylor Housing Commission, created in 1967, by the City of Taylor provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

**Financial Highlights**

The financial statements for Taylor Housing Commission consists of three programs. The first is owned housing, consisting of 102 units of public housing, the second is the capital funding program, and the third is the housing choice voucher program consisting of 962 qualifying low-income residents for rental housing.

Taylor Housing Commission had total revenues of \$3,829,116 that includes \$269,853 in rental payments and \$3,531,331 in federal assistance. Total revenues increased by \$355,203 from the prior year, in part, because of an additional \$471,428 received in Housing Choice Voucher grants from the federal government compared to the prior year. Total operating expenses were \$3,441,064, that includes \$312,512 in administrative expenses, \$125,398 in utilities, \$196,130 in ordinary maintenance and operation, \$2,615,633 in housing assistance payments, and \$142,011 in depreciation expense. The operating expenses increased by \$61,934, in part, because of increased administrative expenses and more Housing Assistance Payments to landlords.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$3,123,278. The Housing Commission's total net assets increased by \$388,052 from the prior year. The increase can be attributed, in part, to the increase in Housing Choice Voucher grants received this fiscal year.

Total assets of the Housing Commission were \$3,163,134, of which \$825,321 consisted of current assets and \$39,856 of current liabilities. There was a net increase in total assets of \$210,834 from the prior year. The increase is due, in part, because of the increase in cash in the Housing Choice Voucher program.

### Commission's current position

In response to an analysis of the Housing Commission's overall financial position and results of operations to assess whether financial position has improved or deteriorated during the year, including reasons for significant changes from the prior year and important economic factors that significantly affected operating results.

Answer: The Housing Commission's financial condition has improved from the prior year because of an increase in federal financial assistance in the Housing Choice Voucher program. This increase is due to a change by HUD in how grants are distributed, but HUD could reduce the amount of grants in the future to compensate for the overpayment made for the fiscal year ended March 31, 2006.

A description of significant capital assets and long-term debt activity, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.

Answer: There was not any long-term debt activity. Each year The Housing Commission receives capital funding for improvements and has a five year plan in place. During the fiscal year improvements were made to the facilities. For the next fiscal year the Housing Commission has committed to remodeling the offices of the Housing Commission for about \$200,000.

A description of currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

Answer: There are no facts, decisions or conditions currently known that are expected to have a significant effect financially on the Housing Commission, other than HUD could reduce the amount of grants to the Housing Choice Voucher program because of the overfunding during the fiscal year ending March 31, 2006.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Frederick E. Zorn, Jr., Executive Director  
15270 Plaza South Drive  
Taylor, Michigan 48180



## Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- \* Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- \* Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- \* Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

## Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended March 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Current assets	\$ 825,321	\$ 620,895	\$ 204,426
Property and equipment	<u>2,337,813</u>	<u>2,331,405</u>	<u>6,408</u>
Total assets	<u>\$3,163,134</u>	<u>\$2,952,300</u>	<u>\$ 210,834</u>
Current liabilities	\$ 39,856	\$ 217,074	\$ ( 177,218)
Total liabilities	<u>39,856</u>	<u>217,074</u>	<u>( 177,218)</u>
Net assets:			
Invested in capital assets	2,337,813	2,331,405	6,408
Unrestricted	<u>785,465</u>	<u>403,821</u>	<u>381,644</u>
Total net assets	<u>3,123,278</u>	<u>2,735,226</u>	<u>388,052</u>
Total liabilities and net assets	<u>\$3,163,134</u>	<u>\$2,952,300</u>	<u>\$ 210,834</u>

**Financial Analysis of the Housing Commission (continued)**

The following table of summarizes the Statement of Activities of the Housing Commission for the years ended March 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
<b>Operating revenues:</b>			
Dwelling rent	\$ 269,853	\$ 270,591	\$ ( 738)
Nondwelling rent	<u>7,154</u>	<u>4,785</u>	<u>2,369</u>
Total operating revenues	<u>277,007</u>	<u>275,376</u>	<u>1,631</u>
<b>Operating expenses:</b>			
Administration	312,512	271,965	40,547
Tenant services	1,859	2,148	( 289)
Utilities	125,398	118,669	6,729
Ordinary maintenance and operation	196,130	206,912	( 10,782)
General expenses	47,521	56,522	( 9,001)
Extraordinary maintenance		721	( 721)
Housing assistance payments	2,615,633	2,589,799	25,834
Depreciation	<u>142,011</u>	<u>132,394</u>	<u>9,617</u>
Total operating expenses	<u>3,441,064</u>	<u>3,379,130</u>	<u>61,934</u>
<b>Non-operating revenue:</b>			
Interest income	12,456	6,202	6,254
Operating grants	3,413,721	2,969,211	444,510
Capital grants	117,610	216,704	( 99,094)
Other income	<u>8,322</u>	<u>6,420</u>	<u>1,902</u>
Total nonoperating revenue	<u>3,552,109</u>	<u>3,198,537</u>	<u>353,572</u>
<b>Change in Net Assets</b>	<u>\$ 388,052</u>	<u>\$ 94,783</u>	<u>\$ 293,269</u>

## FINANCIAL STATEMENTS

TAYLOR HOUSING COMMISSION  
STATEMENT OF NET ASSETS  
March 31, 2006  
=====

**ASSETS**

Current Assets:

Cash	\$ 451,443
Accounts receivable-tenants	2,038
Investments-unrestricted	353,149
Prepaid expenses	<u>18,691</u>

Total Current Assets	<u>825,321</u>
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Property and Equipment:

Land	761,485
Buildings	3,930,723
Equipment	390,340
Construction in progress	<u>211,058</u>

	5,293,606
Less: accumulated depreciation	<u>( 2,955,793)</u>

Net Property and Equipment	<u>2,337,813</u>
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Total Assets	<u><u>\$ 3,163,134</u></u>
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See notes to financial statements

TAYLOR HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
March 31, 2006  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:	
Tenant security deposit liability	\$ 29,613
Accrued expenses	8,429
Deferred revenues	<u>1,814</u>
Total Current Liabilities	<u>39,856</u>
Net Assets:	
Invested in capital assets	2,337,813
Unrestricted net assets	<u>785,465</u>
Total Net Assets	<u>3,123,278</u>
Total Liabilities and Net Assets	<u>\$ 3,163,134</u>

See notes to financial statements

TAYLOR HOUSING COMMISSION  
**STATEMENT OF ACTIVITIES**  
Year Ended March 31, 2006  
=====

**OPERATING REVENUES:**

Dwelling rent	\$ 269,853
Non-dwelling rent	<u>7,154</u>
Total operating revenues	<u>277,007</u>

**OPERATING EXPENSES:**

Administration	312,512
Tenant services	1,859
Utilities	125,398
Ordinary maintenance and operation	196,130
General expenses	47,521
Housing assistance payments	2,615,633
Depreciation	<u>142,011</u>
Total operating expenses	<u>3,441,064</u>

Operating income(loss)	<u>(3,164,057)</u>
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**NONOPERATING REVENUES:**

Investment interest income	12,456
Other income	8,322
Capital grants	117,610
Operating grants	<u>3,413,721</u>

Total nonoperating revenues	<u>3,552,109</u>
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Change in net assets	388,052
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Prior period adjustments, equity transfers and correction of errors	( 8,605)
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Net assets, beginning	<u>2,743,831</u>
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Net assets, ending	<u><u>\$ 3,123,278</u></u>
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See notes to financial statements

TAYLOR HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS**  
Year Ended March 31, 2006  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 276,256
Cash payments to other suppliers of goods and services	(3,064,254)
Cash payments to employees for services	<u>( 236,784)</u>
Net cash (used) by operating activities	<u>(3,024,782)</u>

**CASH FLOWS FROM NONCAPITAL**

**FINANCING ACTIVITIES:**

Tenant security deposits	2,447
Operating grants	3,254,881
Other revenue	<u>8,322</u>
Net cash provided by noncapital financing activities	<u>3,265,650</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Capital grants	100,110
Payments for capital acquisitions	<u>( 148,419)</u>
Net cash (used) by capital and related financing activities	<u>( 48,309)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Certificates of deposits purchased	2,254
Receipts of interest and dividends	<u>12,456</u>
Net cash provided by investing activities	<u>14,710</u>

Net increase(decrease) in cash	207,269
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Cash, beginning	<u>244,174</u>
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Cash, ending	<u><u>\$ 451,443</u></u>
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TAYLOR HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
Year Ended March 31, 2006  
=====

**Reconciliation of cash and cash equivalents  
per statement of cash flows to the balance  
sheet:**

Cash	\$ 451,443
Restricted cash	<u>                    </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 451,443</u></u>

**SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:**

Operating income(loss)	\$(3,164,057)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	142,011
Adjustments	8,895
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	( 1,860)
Prepaid expenses	2,449
Increase (decrease) in liabilities:	
Accounts payable	( 9,530)
Accrued wage/payroll taxes payable	( 5,250)
Accrued compensated absences	1,451
Deferred revenues	<u>1,109</u>
Net cash (used) by operating activities	<u><u>\$(3,024,782)</u></u>

See notes to financial statements



TAYLOR HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Taylor Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

**The Reporting Entity**

The Taylor Housing Commission is a component unit of the City of Taylor, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Taylor on May 29, 1967, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Taylor Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission is not responsible for any jointly governed organizations. Taylor Community Development Corporation (a not-for-profit Michigan Corporation) is a component-unit.

**Grants and Other Intergovernmental Revenues**

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-871, the Housing Commission constructed, maintains and operates 102 units of subsidized housing in the City of Taylor, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 962 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

**Fund Financial Statements**

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

### **Fund Accounting**

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Taylor Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds.

### **Cash Equivalents**

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at March 31, 2006.

### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### **Budgets and Budgetary Accounting**

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

### **Receivables**

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

### **Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

### **Fixed Asset Capitalization**

Fixed assets with a cost to acquire or construct of \$25 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Land improvements	20 - 40 years
Buildings	40 years
Building improvements	15 - 40 years
Equipment - portable	10 years
Furnishings	7 - 10 years
Office equipment	5 - 7 years

### Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-Fy 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

### Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

### Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

### Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- \* Vacation leave: With the written permission of the Executive Director, up to two(2) weeks of paid vacation time may be accumulated and carried over from one year to the next year. If more than one(1) week is carried over to a subsequent year, at least one(1) week of that carried over vacation time must be used during the succeeding year. No employee may accumulate more than four(4) weeks of paid vacation time at any time. Employees who have unused vacation time that cannot be accumulated will receive payment for that portion of unused vacation on the first pay day following their anniversary date.

In the event an employee leaves the employ of the Housing Commission for any reason, the employee will be paid for any

accrued but unused vacation time, calculated on a pro-rata basis from their anniversary date on the next scheduled pay day.

- \* Sick pay: All regular full time employees are eligible to accrue paid days off for sick leave. Paid sick days accrue at the rate of one(1) day for each calendar month of service, up to a maximum of thirty-four(34) days.

In the event an employee leaves the employ of the Housing Commission, payment of accrued but unused sick days will be as follows:

A. If the termination is the result of death or retirement, the employee will be paid one-half (1/2) of the cash value of the total of their accrued but unused sick days, paid at their rate of pay at the time of payment, not to exceed 17 days;

B. If the termination is the result of resignation, and the employee has a minimum of five(5) years of continuous employment with the Housing Commission, the employee will be paid one-third (1/3) of the cash value of the total of their accrued but unused sick days, paid at their rate of pay at the time of payment, not to exceed 11 days; and,

C. If the termination is involuntary, e.g. if the employee is terminated, payment of accrued but unused sick days will be at the discretion of the Housing Commission.

- \* Personal leave. Unpaid personal leave may be granted for periods of up to four(4) weeks in length to all regular full-time employees who have worked for the Housing Commission for 180 days or more of continuous service.

The amount of accumulated benefits at March 31, 2006, was \$8,429, and is recorded as a liability in the applicable funds.

#### **Post Employment Benefits**

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

#### **Income Taxes**

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

## NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

### Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$451,143 and the bank balance was \$455,495 of which \$200,000 was covered by federal depository insurance and \$255,495 were collateralized by securities held by its agent in the Housing Commission's name. The Housing Commission has \$300 in petty cash on hand.

### Investments

The Housing Commission had the following investments in certificates of deposit as March 31, 2006:

National City (CD #8278)	\$103,149
National City (CD #7818)	<u>250,000</u>
	<u>\$353,149</u>

*Interest Rate Risk* - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes

or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- |                                     |   |          |
|-------------------------------------|---|----------|
| 1. U.S. Treasury Notes              | - | 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - | 75% and  |
| 3. Mortgage Backed Securities       | - | 25%      |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the statement of net assets is as follows:

Cash on hand	\$ 300
Carrying amount of deposits	451,143
Investments	<u>353,149</u>
Total	<u>\$ 804,592</u>
Cash and cash equivalents:	
Enterprise activities	\$ 808,944
Enterprise activities - checks written in excess of deposits	<u>( 4,352)</u>
Total	<u>\$ 804,592</u>

### **NOTE 3: RECEIVABLES AND PAYABLES**

#### **Tenant Accounts Receivable**

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2006, the receivables were \$2,038 with \$-0- estimated as uncollectible. Bad debt expense was \$-0-.

#### **Accounts Receivables - HUD**

Amounts due to HUD represents overfunding the Housing Commission has received. Balances at March 31, 2006 were as follows:

Housing Choice Voucher Program	<u>\$ -0-</u>
--------------------------------	---------------

### Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Housing Choice Voucher Program	\$ <u>3,882</u>	Low Rent Program	\$ <u>3,882</u>
	<u>\$ 3,882</u>		<u>\$ 3,882</u>

The capital fund program did not transfer any monies to the Low Rent Program during the fiscal year ended March 31, 2006.

### **NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Balance 03/31/05</u>	<u>Additions/Retirements/ Transfers</u>	<u>Balance 03/31/06</u>
<b>Low Rent Program</b>			
Land	\$ 760,000	\$ 1,485	\$ 761,485
Buildings	3,795,074	135,649	3,930,723
Furniture, equip. & machinery - dwellings	220,993		220,993
Furniture, equip. & machinery - administration	<u>123,373</u>	<u>16,931</u>	<u>140,304</u>
	4,899,440	<u>\$ 154,065</u>	5,053,505
Less accumulated depreciation	<u>(2,784,739)</u>	<u>\$(142,011)</u>	<u>(2,926,750)</u>
Total	<u>\$2,114,701</u>		<u>\$2,126,755</u>
<b>Capital Fund Program</b>			
Construction in progress	<u>\$ 216,704</u>	<u>\$ 100,110</u>	<u>\$ 211,058</u>



	<u>Balance</u> <u>03/31/05</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/06</u>
<b>Housing Choice Voucher Program</b>				
Furniture, equip. and machinery- administration	\$ 29,044	\$	\$	\$ 29,044
	29,044	<u>\$</u>	<u>\$</u>	29,044
Less accumulated depreciation	( 29,044)	<u>\$</u>		( 29,044)
Total	<u>\$</u>			<u>\$</u>
<b>Combined Totals</b>				<u>\$2,337,813</u>

**NOTE 5: INVESTED IN CAPITAL ASSETS**

Changes in invested in capital assets in the enterprise fund type for the year ended March 31, 2006, consist of the following:

	<u>Invested in Capital Assets</u>
Balance, beginning	\$ 2,331,405
Investment in fixed assets, net of depreciation paid for from operations net of depreciation	<u>6,408</u>
Balance, ending	<u>\$ 2,337,813</u>

These reclassifications are investments in fixed assets, net of depreciation paid for from operations.

**NOTE 6: OTHER INFORMATION**

**A. Pension Plan**

Each employee is covered under a defined benefit plan with the Michigan Municipal Employees Retirement System (MERS) that provides for annual employer contributions with complete vesting after 10 years of service and normal retirement age at 60 years of age. At December 31, 2005, the date of the last completed actuarial evaluation, the Housing Commission's present value of accrued benefits for retirement benefits was \$64,434. The valuation of assets to meet this obligation was \$110,191, therefore the unfunded amount is \$45,757. The Housing Commission computed employer contributions as a percentage of payroll of 5.70%. The Housing Commission made total employer retirement contributions of

\$191,794 on covered wages of \$10,060. There are five (5) active members, no vested former members, and no retirees and beneficiaries. Statistical information concerning the plan can be obtained from MERS, which is contained in their annual report.

#### **B. Current Vulnerability Due to Certain Concentrations**

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

#### **C. Risk Management and Litigation**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

#### **D. Prior Period Adjustments, Equity Transfers and Correction of Errors**

##### Low Rent Program

Correction of prior year prepaids-audit adj	\$ 8,895
2002 cfp equity transfer	<u>105,756</u>
	<u>\$ 114,651</u>

##### Capital Fund Program

Correction of prior year discretionary funds	\$ ( 17,500)
Equity transfer of cfp to low rent program	<u>(105,756)</u>
	<u>\$ (123,256)</u>

**NOTE 7: SEGMENT INFORMATION**

The Housing Commission maintains one Enterprise Fund that includes three separate programs which provide housing assistance and grant programs. Segment information for the year ended March 31, 2006, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
<b>Condensed Statement of Net Assets</b>			
Current assets	\$ 171,867	\$	\$ 657,336
Property & equipment	<u>2,126,755</u>	<u>211,058</u>	
Total assets	<u>\$ 2,298,622</u>	<u>\$ 211,058</u>	<u>\$ 657,336</u>
Current liabilities	<u>\$ 43,738</u>	<u>\$</u>	<u>\$</u>
Net assets:			
Invested in capital assets	2,126,755	211,058	
Unrestricted net assets	<u>128,129</u>		<u>657,336</u>
Total net assets	<u>2,254,884</u>	<u>211,058</u>	<u>657,336</u>
Total liabilities & net assets	<u>\$ 2,298,622</u>	<u>\$ 211,058</u>	<u>\$ 657,336</u>
<b>Condensed Statement of Activities</b>			
Dwelling and nondwelling rents	\$ 277,007	\$	\$
Depreciation	( 142,011)		
Other operating expenses	<u>( 437,961)</u>		<u>( 2,861,092)</u>
Operating(loss)	<u>( 302,965)</u>		<u>( 2,861,092)</u>
Nonoperating revenues:			
Investment earnings	9,879		2,577
Other income	8,322		
Operating grants	138,335		3,275,386
Capital grants		<u>117,610</u>	
Change in net assets	( 146,429)	117,610	416,871
Prior period adjustments	114,651	(123,256)	
Beginning net assets	<u>2,286,662</u>	<u>216,704</u>	<u>240,465</u>
Ending net assets	<u>\$ 2,254,884</u>	<u>\$ 211,058</u>	<u>\$ 657,336</u>

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
<b>Condensed Statement of Cash Flows</b>			
Net cash provided (used) by:			
Operating activities	\$ ( 163,690)		\$ ( 2,861,092)
Noncapital financing activities	156,480		3,109,170
Capital and related financing activities	( 48,309)		
Investing activities	<u>( 568)</u>		<u>15,278</u>
Net increase (decrease)	( 56,087)		263,356
Beginning cash and cash equivalents	<u>104,076</u>		<u>140,098</u>
Ending cash and cash equivalents	<u>\$ 47,989</u>	<u>\$</u>	<u>\$ 403,454</u>

SUPPLEMENTARY INFORMATION

TAYLOR HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
 March 31, 2006  
 =====

C-871	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**ASSETS**

Current assets:

Cash	\$ 47,989	\$
Accounts receivable-tenant	2,038	
Investments-unrestricted	103,149	
Prepaid expenses	18,691	
Due from other programs	<u>          </u>	<u>          </u>
Total current assets	<u>171,867</u>	<u>          </u>

Property and equipment:

Land	761,485	
Buildings	3,930,723	
Equipment	361,297	
Construction in progress	<u>          </u>	<u>211,058</u>
	5,053,505	211,058
Less accumulated depreciation	<u>(2,926,750)</u>	<u>          </u>
Net property and equipment	<u>2,126,755</u>	<u>211,058</u>
Total Assets	<u>\$2,298,622</u>	<u>\$ 211,058</u>

Housing Choice Vouchers 14.871	Totals
\$ 403,454	\$ 451,443
	2,038
250,000	353,149
	18,691
<u>3,882</u>	<u>3,882</u>
<u>657,336</u>	<u>829,203</u>
	761,485
	3,930,723
29,043	390,340
	<u>211,058</u>
<u>29,043</u>	5,293,606
<u>( 29,043)</u>	<u>( 2,955,793)</u>
	<u>2,337,813</u>
<u>\$ 657,336</u>	<u>\$ 3,167,016</u>

TAYLOR HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
 March 31, 2006  
 =====

	C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Tenant security deposit liability	\$ 29,613	\$
Accrued expenses	8,429	
Deferred revenues	1,814	
Due to other programs	<u>3,882</u>	
Total current liabilities	<u>43,738</u>	
Total liabilities	<u>43,738</u>	
Net Assets:		
Invested in capital assets	2,126,755	211,058
Unrestricted net assets	<u>128,129</u>	
Total net assets	<u>2,254,884</u>	<u>211,058</u>
Total Liabilities and Net Assets	<u>\$2,298,622</u>	<u>\$ 211,058</u>





TAYLOR HOUSING COMMISSION  
**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended March 31, 2006  
=====

	C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 269,853	\$
Nondwelling rent	<u>7,154</u>	<u></u>
Total operating revenues	<u>277,007</u>	<u></u>
<b>OPERATING EXPENSES:</b>		
Administration	100,195	
Tenant services	1,859	
Utilities	125,398	
Ordinary maintenance and operation	162,988	
General expenses	47,521	
Housing assistance payments		
Depreciation	<u>142,011</u>	<u></u>
Total operating expenses	<u>579,972</u>	<u></u>
Operating income(loss)	<u>( 302,965)</u>	<u></u>
<b>NONOPERATING REVENUES:</b>		
Investment interest income	9,879	
Other income	8,322	
Capital grants		117,610
Operating grants	<u>138,335</u>	<u></u>
Total nonoperating revenues	<u>156,536</u>	<u>117,610</u>
Change in net assets	( 146,429)	117,610
Prior period adjustments, equity transfers and correction of errors	114,651	(123,256)
Net assets, beginning	<u>2,286,662</u>	<u>216,704</u>
Net assets, ending	<u>\$2,254,884</u>	<u>\$211,058</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 269,853
	7,154
	277,007
212,317	312,512
	1,859
	125,398
33,142	196,130
	47,521
2,615,633	2,615,633
	142,011
2,861,092	3,441,064
(2,861,092)	( 3,164,057)
2,577	12,456
	8,322
	117,610
3,275,386	3,413,721
3,277,963	3,552,109
416,871	388,052
	( 8,605)
240,465	2,743,831
\$ 657,336	\$ 3,123,278

TAYLOR HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
Year Ended March 31, 2006  
=====

	C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 276,256	\$
Cash payments to other suppliers of goods and services	( 331,226)	
Cash payments to employees for services	<u>( 108,720)</u>	
Net cash (used) by operating activities	<u>( 163,690)</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Tenant security deposits	2,447	
Due from/to other funds	7,376	
Operating grants	138,335	
Other revenue	<u>8,322</u>	
Net cash provided by noncapital financing activities	<u>156,480</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants		100,110
Payments for capital acquisitions	<u>( 48,309)</u>	<u>( 100,110)</u>
Net cash (used) by capital and related financing activities	<u>( 48,309)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Certificates of deposits purchased	( 10,447)	
Receipts of interest and dividends	<u>9,879</u>	
Net cash provided (used) by investing activities	<u>( 568)</u>	
Net increase(decrease) in cash	( 56,087)	
Cash, beginning	<u>104,076</u>	
Cash, ending	<u>\$ 47,989</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 276,256
(2,733,028)	( 3,064,254)
<u>( 128,064)</u>	<u>( 236,784)</u>
<u>(2,861,092)</u>	<u>( 3,024,782)</u>
	2,447
( 7,376)	
3,116,546	3,254,881
<u>                    </u>	<u>8,322</u>
<u>3,109,170</u>	<u>3,265,650</u>
	100,110
<u>                    </u>	<u>( 148,419)</u>
<u>                    </u>	<u>( 48,309)</u>
12,701	2,254
<u>2,577</u>	<u>12,456</u>
<u>15,278</u>	<u>14,710</u>
263,356	207,269
<u>140,098</u>	<u>244,174</u>
<u>\$ 403,454</u>	<u>\$ 451,443</u>

TAYLOR HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
Year Ended March 31, 2006  
=====

C-871	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH  
EQUIVALENTS PER STATEMENT OF CASH  
FLOWS TO THE BALANCE SHEET:**

Cash	\$ 47,989	\$
Restricted cash	<u>          </u>	<u>          </u>
Cash and cash equivalents per balance sheet	<u>\$ 47,989</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:**

Operating income(loss)	\$ ( 302,965)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	142,011	
Adjustments	8,895	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	( 1,860)	
Prepaid expenses	2,449	
Increase (decrease) in liabilities:		
Accounts payable	( 9,530)	
Accrued wage/payroll taxes payable	( 5,250)	
Accrued compensated absences	1,451	
Deferred revenues	<u>1,109</u>	
Net cash (used) by operating activities	<u>\$ ( 163,690)</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 403,454	\$ 451,443
<u>          </u>	<u>          </u>
<u>\$ 403,454</u>	<u>\$ 451,443</u>
\$ ( 2,861,092)	\$ (3,164,057)
	142,011
	8,895
	( 1,860)
	2,449
	( 9,530)
	( 5,250)
	1,451
<u>          </u>	<u>1,109</u>
<u>\$ ( 2,861,092)</u>	<u>\$ ( 3,024,782)</u>

TAYLOR HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended March 31, 2006

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2006	Low Rent Public Housing	14.850	\$ 138,335
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2006	Capital Fund Program	14.872	117,610
	<u>Low Income Public Housing Major - Direct Program</u>		
2006	Housing Choice Vouchers	14.871	<u>3,275,386</u>
	Total		<u>\$3,531,331</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance



## TAYLOR HOUSING COMMISSION

## FINANCIAL DATA SCHEDULE

Year Ended March 31, 2006

=====

FDS Line Item No.		C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 47,989	\$
100	Total cash	<u>47,989</u>	
	Receivables:		
126	A/R-tenants-dwelling rents	<u>2,038</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>2,038</u>	
	Current Investments:		
131	Investments-unrestricted	<u>103,149</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	18,691	
144	Interprogram due from		
	Total other current assets	<u>18,691</u>	
150	Total current assets	<u>171,867</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	761,485	
162	Buildings	3,930,723	
163	Furn, equip & mach-dwellings	220,993	
164	Furn, equip & mach-admin.	140,304	
166	Accumulated depreciation	(2,926,750)	
167	Construction in progress		<u>211,058</u>
160	Total fixed assets, net of accumulated depreciation	<u>2,126,755</u>	<u>211,058</u>
180	Total noncurrent assets	<u>2,126,755</u>	<u>211,058</u>
190	Total Assets	<u>\$ 2,298,622</u>	<u>\$211,058</u>

Housing Choice Vouchers 14.871	Totals
<u>\$ 403,454</u>	<u>\$ 451,443</u>
<u>403,454</u>	<u>451,443</u>
<u>                    </u>	<u>2,038</u>
<u>                    </u>	<u>2,038</u>
<u>250,000</u>	<u>353,149</u>
<u>3,882</u>	<u>18,691</u>
<u>3,882</u>	<u>3,882</u>
<u>3,882</u>	<u>22,573</u>
<u>657,336</u>	<u>829,203</u>
	761,485
	3,930,723
	220,993
29,043	169,347
( 29,043)	( 2,955,793)
<u>                    </u>	<u>211,058</u>
<u>                    </u>	<u>2,337,813</u>
<u>                    </u>	<u>2,337,813</u>
<u>\$ 657,336</u>	<u>\$ 3,167,016</u>

TAYLOR HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2006  
=====

FDS Line Item No.		C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>LIABILITIES and NET ASSETS</b>		
	Liabilities:		
	Current Liabilities:		
322	Accrued compensated absences	\$ 8,429	\$
341	Tenant security deposits	29,613	
342	Deferred revenues	1,814	
347	Interprogram due to	<u>3,882</u>	<u>          </u>
310	Total current liabilities	<u>43,738</u>	<u>          </u>
300	Total liabilities	<u>43,738</u>	<u>          </u>
	Net Assets:		
508.1	Invested in capital assets	<u>2,126,755</u>	<u>211,058</u>
508	Total invested in capital assets	2,126,755	211,058
512.1	Unrestricted net assets	<u>128,129</u>	<u>          </u>
513	Total Net Assets	<u>2,254,884</u>	<u>211,058</u>
600	Total Liabilities and Net Assets	<u>\$ 2,298,622</u>	<u>\$211,058</u>

Housing  
Choice  
Vouchers  
14.871

Totals

\$	\$	8,429
		29,613
		1,814
		<u>3,882</u>
		<u>43,738</u>
		<u>43,738</u>
		<u>2,337,813</u>
		2,337,813
<u>657,336</u>		<u>785,465</u>
<u>657,336</u>		<u>3,123,278</u>
<u>\$ 657,336</u>	<u>\$</u>	<u>3,167,016</u>

TAYLOR HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2006

FDS Line Item No.		C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 269,853	\$
704	Tenant revenue-other	<u>7,154</u>	
705	Total tenant revenue	277,007	
706	HUD PHA grants	138,335	
706.1	Capital grants		117,610
711	Investment income-unrestricted	9,879	
715	Other revenue	<u>8,322</u>	
700	Total revenue	<u>433,543</u>	<u>117,610</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	25,253	
912	Auditing fees	2,500	
913	Outside management fees	23,333	
914	Compensated absences	1,451	
915	Employee benefit contributions-adm.	33,946	
916	Other operating-administrative	13,712	
	Tenant Services:		
924	Tenant services-other	1,859	
	Utilities:		
931	Water	15,143	
932	Electricity	51,856	
933	Gas	58,399	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	72,245	
942	Ordinary maint & oper-mat'ls & other	26,530	
943	Ordinary maint & oper-contract costs	30,208	
945	Employee benefit contributions	34,005	
	General expenses:		
961	Insurance premiums	47,301	
962	Other general expenses	<u>220</u>	
969	Total operating expenses	<u>437,961</u>	
970	Excess operating revenue over operating expenses	<u>( 4,418)</u>	<u>117,610</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 269,853
	<u>7,154</u>
	277,007
3,275,386	3,413,721
	117,610
2,577	12,456
	<u>8,322</u>
<u>3,277,963</u>	<u>3,829,116</u>

100,764	126,017
3,600	6,100
	23,333
	1,451
27,300	61,246
80,653	94,365

1,859

15,143  
51,856  
58,399

	72,245
	26,530
33,142	63,350
	34,005

	47,301
	<u>220</u>

<u>245,459</u>	<u>683,420</u>
----------------	----------------

<u>3,032,504</u>	<u>3,145,696</u>
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TAYLOR HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2006  
=====

FDS Line Item No.		C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>142,011</u>	<u>          </u>
	Total other expenses	<u>142,011</u>	<u>          </u>
900	Total expenses	<u>579,972</u>	<u>          </u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 146,429)	117,610
1103	Beginning Net Assets	2,286,662	216,704
1104	Prior period adjustments, equity transfers and correction of errors	<u>114,651</u>	<u>(123,256)</u>
	Ending Net Assets	<u>\$ 2,254,884</u>	<u>\$211,058</u>

Housing Choice Vouchers	
<u>14.871</u>	<u>Totals</u>
2,615,633	2,615,633
	<u>142,011</u>
<u>2,615,633</u>	<u>2,757,644</u>
<u>2,861,092</u>	<u>3,441,064</u>
416,871	388,052
240,465	2,743,831
	<u>( 8,605)</u>
<u>\$ 657,336</u>	<u>\$ 3,123,278</u>



**Barry E. Gaudette, CPA, P.C.**

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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Board of Housing Commissioners  
Taylor Housing Commission  
Taylor, Michigan

I have audited the financial statements of the business-type activities of the Taylor Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated September 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated September 27, 2006.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*  
Taylor Housing Commission  
Page Two

**Compliance and Other Matters (continued)**

could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Sam E. Tauler, CPA, PC*

September 27, 2006

**Report on Compliance with Requirements  
Applicable To Each Major Program and  
Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Taylor Housing Commission  
Taylor, Michigan

**Compliance**

I have audited the compliance of the Taylor Housing Commission , Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2006. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Taylor Housing Commission  
Page Two

**Compliance (continued)**

In my opinion, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2006.

**Internal Control Over Compliance**

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Housing Commission in a separate letter dated September 27, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Bary E. Landolt, CPA, PC*

September 27, 2006

TAYLOR HOUSING COMMISSION  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 March 31, 2006  
 =====

**A. Summary of Audit Results**

Financial Statements

- |  |           |
|--|-----------|
| 1. Type of Auditor's Report issued:                                | Qualified |
| 2. Internal control over financial reporting:                      |           |
| a. Material weakness identified                                    | No        |
| b. Reportable condition identified that is not a material weakness | No        |
| 3. Noncompliance material to financial statements:                 | No        |

Federal Awards

- |  |             |
|--|-------------|
| 1. Internal control over major programs:   |             |
| a. Material weakness identified  | No          |
| b. Reportable condition that is not a material weakness  | No          |
| 2. Type of auditor's report issued on compliance for major programs  | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 | No          |
| 4. Identification of major programs:   |             |

<u>CFDA Number</u>	<u>Federal Program</u>	<u>Amount Expended</u>	<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Questioned Costs</u>	<u>Audit Finding</u>
14.850	Low Rent Public Housing	\$ 138,335	No	O	N/A	N/A
14.872	Capital Fund Program	117,610	No	O	N/A	N/A
14.871	Housing Choice Vouchers	<u>3,275,386</u>	Yes	O	N/A	N/A
<b>Total</b>		<u><b>\$3,531,331</b></u>				

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$300,000 |
| 6. Auditee qualified as low-risk auditee?                                  | Yes       |

TAYLOR HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
March 31, 2006  
=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

TAYLOR HOUSING COMMISSION  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
March 31, 2006

=====

NONE

TAYLOR HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
MARCH 31, 2006  
=====

REAC  
Electronic  
Submission  
Line Item #

Account Name

Debit

Credit

LOW RENT PROGRAM:

		-1-		
131	Investments		\$ 13,367.00	
142	Prepaid expenses			\$ 13,367.00
		-2-		
945	Employee benefits-			
	maintenance		34,005.00	
915	Employee benefits-			
	administration		52,600.00	
961	Insurance			32,741.00
971	Extraordinary			
	maintenance			18,799.00
911	Administrative			
	salaries			5,972.00
943	Ordinary maint-			
	contract costs			29,093.00



TAYLOR HOUSING COMMISSION

**INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE/BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS**

MARCH 31, 2006

**TAYLOR HOUSING COMMISSION**  
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**MARCH 31, 2006**

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**Barry E. Gaudette, CPA, P.C.**

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**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THE AUDIT COMMITTEE/  
BOARD OF COMMISSIONERS**

To the Board of Commissioners  
Taylor Housing Commission

I have audited the financial statements of the Taylor Housing Commission ("Housing Commission") as of and for the year ended March 31, 2006, and have issued my report, thereon, dated September 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

**Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America** - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

**Significant Accounting Policies** - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were two audit adjusting journal entries and no controversial accounting issues.

**Management Judgments and Accounting Estimates** - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

**Other Information in Documents Containing Audited Financial Statements** - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE - CONTINUED**

**Audit Adjustments** - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 6 showing the audit adjusting journal entries).

**Disagreements With Management** - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

**Consultations With Other Accountants** - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

**Major Issues Discussed With Management Prior to Retention** - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

**Difficulties Encountered in Performing the Audit** - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

*Bary E. Landolt, CPA*

September 27, 2006

**Barry E. Gaudette, CPA, P.C.**

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**INDEPENDENT AUDITORS' REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners  
Taylor Housing Commission

I have audited the financial statements of the Taylor Housing Commission ("Housing Commission") as of and for the year ended March 31, 2006, and have issued my report, thereon, dated September 27, 2006. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

*Barry E. Gaudette, CPA, P.C.*

September 27, 2006

TAYLOR HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS

March 31, 2006

=====

**Lack of Segregation of Duties in Check Writing in the Housing Choice Voucher Program**

The Housing Commission's Housing Choice Vouchers Program has two employees who prepare the checks, have control over the signature machine and mail the landlord checks each month.

**Lack of Segregation of Duties in Tenant Rent Deposits**

The Housing Commission has one employee that is responsible for collecting the tenant rents, recording the receipts, prepares the deposits and usually takes the deposits to the bank for the low rent program.

I believe that there are some mitigating controls to the above segregation of duties issue as follows:

- a. Payments of rent in cash is not allowed.
- b. A software program is used for tenant accounting.
- c. prenumbered receipts are issued to each tenant.
- d. There is an audit trail consisting of the cash cutoff report, tenant receipt copy, deposit ticket, bank receipt, and a tenant ledger report.
- e. There are two employees in the Housing Choice Voucher program sharing the duties.

**Resident Council**

The Housing Commission receives \$25 per tenant in its operating subsidy to spend on the tenants each fiscal year. The Housing Commission does spend this money on the tenants, but there is no resident council to decide how to spend the monies in accordance with HUD requirements.

I recommend that the Housing Commission continue to attempt to have tenants form a resident council.

TAYLOR HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS

March 31, 2006  
(Continued)

=====

**Approving Invoices**

The Housing Commission's Low Rent program invoices are reviewed by a board member before payment is made. The Michigan Department of Treasury requires that the Board must approve all invoices prior to disbursement unless addressed otherwise in the charter.

I recommend the Housing Commission establish a formal policy to authorize payments prior to approval to avoid finance or late charges and to pay appropriated amounts and payroll (including payroll taxes and withholdings). This policy must be very limited and a list of payments made prior to approval must be presented to the Board for approval.

**Depository Agreement**

It is a statutory requirement by HUD that the Housing Commission have on hand a depository agreement with each bank it has deposits with.

I recommend that the Housing Commission on an annual basis have these depository agreements updated and signed by each bank it has deposits with.

**Petty Cash**

The Housing Commission's petty cash amount on the general ledger is \$300. My test of transactions of disbursements disclosed a payment to petty cash for \$500.

I recommend the Housing Commission use the imprest method of reimbursing petty cash. In other words, payment would be made to petty cash for the exact amount used from petty cash and supported by the related documentation that supports the disbursements from petty cash.

**Invoices**

During my test of transactions of disbursements, I found that out of the forty(40) disbursements tested, four(4) did not have supporting documentation.

I recommend that the original invoice be attached to the check copy.

TAYLOR HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 March 31, 2006

=====

REAC  
 Electronic  
 Submission

<u>Line</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
-------------	---------------------	--------------	---------------

LOW RENT PROGRAM:

		-1-		
131	Investments	\$ 13,367.00		
142	Prepaid expenses		\$ 13,367.00	
		-2-		
945	Employee benefits-			
	maintenance	34,005.00		
915	Employee benefits-			
	administration	52,600.00		
961	Insurance			32,741.00
971	Extraordinary maint.			18,799.00
911	Administrative salaries			5,972.00
943	Ordinary maintenance-			
	contract costs			29,093.00